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South Dakota

Public Utilities Commission

Annual Report

FY86

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Commissioners:
Kenneth Stofferahn
Jeff Solem
Dennis Eisnach

Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, South Dakota 57501

Executive Secretary
Roberta Lovald
(605) 773-3201

November 3, 1986

The Honorable William J. Janklow
Governor of South Dakota
State Capitol Building
Pierre, SD 57501

Dear Governor Janklow:

In conformity with South Dakota Codified Law 49-1-13, the Public Utilities Commission hereby respectfully submits its annual report for the time period of Fiscal Year 1986. This report of its activities contains the facts, statements and explanations deemed necessary by the Commission to fully disclose its transactions and conduct during this time period.

Generally, this report conveys the various activities, functions and accomplishments of the South Dakota Public Utilities Commission. It includes, but is not limited to, a complete financial report of receipts and expenditures, including a list of the utilities regulated by the Commission and the total amount of fees and assessments paid by each. It also includes a list of the applications, subject and disposition of each docket number assessed by the Commission.

Sincerely,

Jeff Solem, Chairman
S.D. Public Utilities Commission

JS:jld

Enclosure

FORWARD

Created by State Statute, the South Dakota Public Utilities Commission is an independent quasi-judicial regulatory body of three members elected state-wide to six year terms. The jurisdiction, powers and duties of the Commission are delegated to it by the South Dakota Legislature. The Legislature has charged the Commission with the responsibility of regulating the six investor-owned electric companies, four natural gas companies and three telephone companies as well as motor carriers doing business within the State of South Dakota. The Commission is also responsible for the licensing of grain elevators, warehouses and general storage facilities. In addition, the requests for construction of energy conversions or transmission facilities must be reviewed and approved by the Commission before such projects can begin.

The three elected public utilities commissioners administer and supervise all functions of the South Dakota Public Utilities Commission. As a Commission it organizes by selecting a chairman, vice chairman and associate commissioner.

The Commission is organized into 3 divisions: Administration, Transportation and Fixed Utilities.

Brief Biographies of Commissioners

The following brief biographical narratives are for the three individual Commissioners who have served or are serving on the Commission for the time period of Fiscal Year 1986:

Kenneth Stofferahn

Assumed Commissionership January, 1979, first term ended January 7, 1985; re-elected to a second term which ends January 1991. Democrat, born April 5, 1934. Received B.S. Degree in Agriculture from South Dakota State University, Brookings; past experience includes farming; member of West Central Board of Education (President) 1974, 1976-1978; and member of South Dakota House of Representaives, 1974-1976. Elected to serve District 1, which comprises the counties of Lake, Moody, McCook, Minnehaha, Charles Mix, Douglas, Hutchinson, Turner, Lincoln, Bon Homme, Yankton, Clay and Union; address is Pierre, South Dakota. Served as Chairman of the Commission from January 5, 1983 to July 1, 1985. Assumed the Vice Chairmanship July 1, 1985.

Jeff Solem

Assumed Commissionership January 2, 1981, term ends January, 1987. Republican, born August 4, 1921. Received B.A. Degree from George Washington University, Washington, D.C.; past experience includes radio - TV station owner and broadcaster twenty-five years and Mayor of the City of Aberdeen, 1972-1980. Elected to serve District 2, which comprises the counties of McPherson, Edmunds, Brown, Marshall, Day, Roberts, Grant, Faulk, Spink, Clark, Codington, Hamlin, Deuel, Hyde, Hand, Beadle, Kingsbury, Brookings, Buffalo, Brule, Jerauld, Aurora, Sanborn, Davison, Miner and Hanson; address is Pierre, South Dakota. Served as Vice Chairman of the Commission from January 1985 to July 1, 1985. Assumed the Chairmanship July 1, 1985.

Dennis Eisnach

Assumed Commissionership January 4, 1983, term ends January, 1989. Democrat, born January 2, 1936. Attended South Dakota School of Mines and Technology, Rapid City, and the University of South Dakota, Vermillion; past experience includes South Dakota Highway Patrol, 1960-1980 - Superintendent, 1974-1980. Elected to serve District 3, which comprises the counties of Harding, Perkins, Corson, Campbell, Butte, Meade, Ziebach, Dewey, Walworth, Potter, Sully, Hughes, Lawrence, Pennington, Haakon, Stanley, Jones, Lyman, Custer, Fall River, Shannon, Jackson, Bennett, Mellette, Todd, Tripp and Gregory. Address is Pierre, South Dakota.

HISTORY OF THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

The present day South Dakota Public Utilities Commission traces its historical roots to 1885 when the Dakota Territorial Legislature established the Board of Railroad Commissioners for the regulation of service and facilities of rail carriers. This territorial statute was amended by the first South Dakota State Legislature in its 1889 session. This amendment signficantly increased the duties and powers of this three member board. The Board consisted of three members appointed by the Governor to serve for two years or at the pleasure of the Governor.

In 1890 the Legislature placed the regulation of grain warehouses under the jurisdiction of the Board of Railroad Commissioners. That law as amended through the years is still within the areas of the Commission's current statutory responsibilities.

Then in 1897 the Legislature enacted a new law which made the Board of Railroad Commissioners an elective office with six year terms of office, one Commissioner to be elected each two years. This statute change was apparently intended to encourage a diversity of experience and tenure by the members and to make the Board responsible directly to the people.

In 1907 a law was enacted which created a telephone commission composed of the State Treasurer, State Auditor and a Telephone Commissioner. This Telephone Commissioner was given limited jurisdiction over telephone and telegraph companies. The Telephone Commissioner was to be appointed by the Governor for a period of two years. Then, in the session of 1909, the Legislature repealed this 1907 law which abolished the Telephone Commission at the same time giving jurisdiction over the rates and services of telephone and telegraph companies to the Board of Railroad Commissioners. Along with this transfer of responsibility the Legislature created comprehensive regulatory law which, with some legislative changes through the years, is currently the law relating to rates and service of telephone companies. Then in 1923 the supervision and control of motor carriers was placed under the jurisdiction of the Board of Railroad Commissioners with limited duties and powers. In the 1925 legislative session a comprehensive Motor Carrier Act was enacted under which the supervision or regulation of motor carriers is now conducted. Also during the 1925 legislative session, a law was passed which placed the property (general) storage warehouses under the supervision of the Board of Railroad Commissioners. Prior to this legislative change, that responsibility had been assigned to the Secretary of State.

On July 1, 1939 the name of the Board of Railroad Commissioners was changed by law to the Public Utilities Commission. This name change was reflective of both the evaluation of various responsibilities and the regulatory trends of other states throughout the nation.

In 1975, the Legislature created state law which gave the Public Utilities Commission jurisdiction over the regulation of natural gas and electric utilities. Currently the Commission has regulatory authority over the following four investor-owned natural gas companies: Iowa Public Service, Minnegasco, Montana-Dakota Utilities and Northwestern Public Service. The Commission also currently has regulatory authority over the following six investor-owned electric utility companies: Black Hills Power and Light, Iowa Public Service, Montana-Dakota Utilities, Northern States

Power, Northwestern Public Service and Otter Tail Power. In 1976 the Legislature exempted the Rural Electric Associations from this regulation. Then the 1979 Legislature exempted the Rural Telephone Associations from Public Utilities Commission regulation.

On July 1, 1980 the municipal telephone systems were also removed from Commission regulation. Then on July 1, 1982 the independent telephone companies were removed from Commission rate regulation. The Public Utilities Commission has rate jurisdiction over three telephone companies: Northwestern Bell, Bison State and AT&T Communications of the Midwest, Inc.

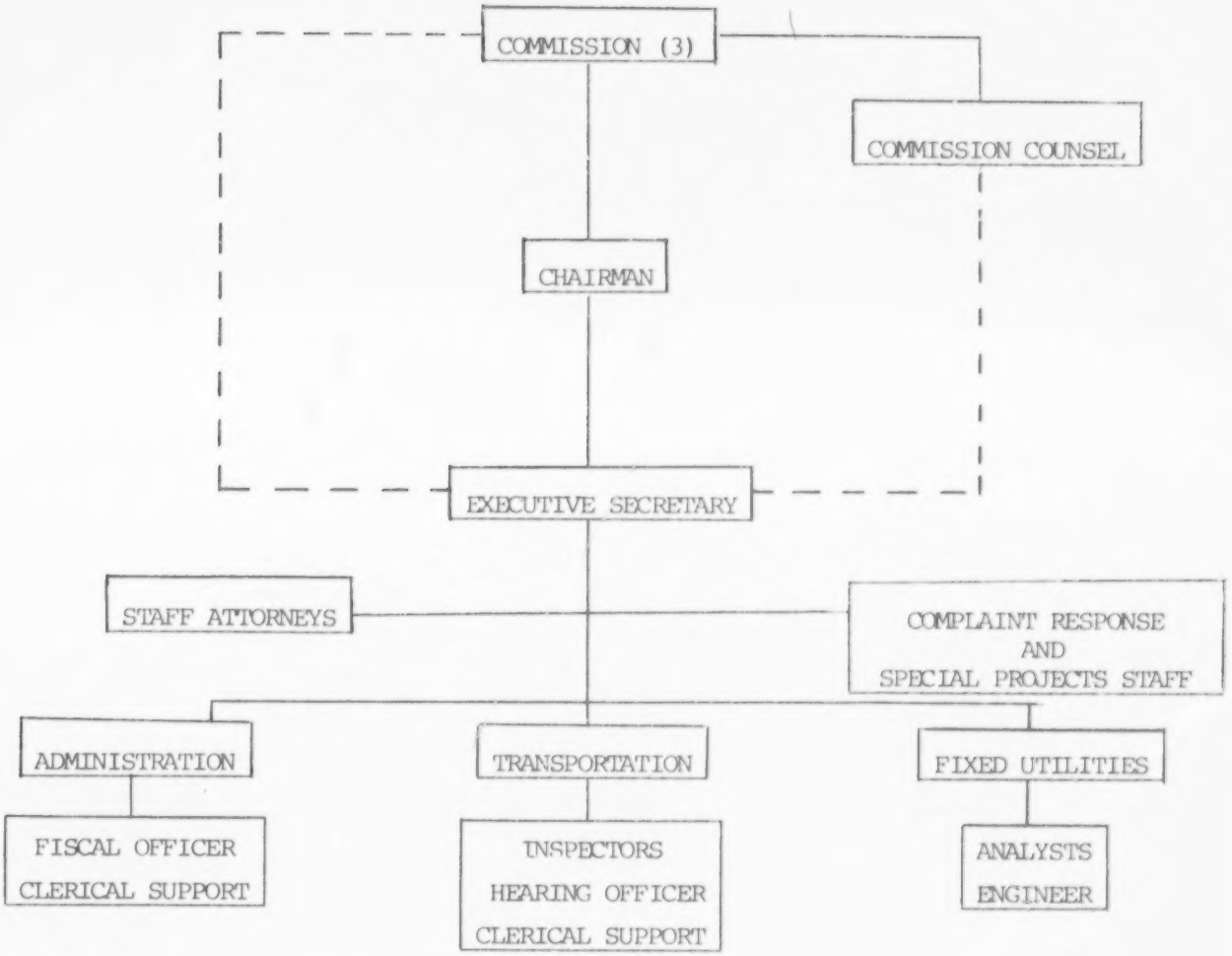
On December 29, 1981, President Reagan signed into law the Record Carrier Competition Act of 1981, Public Law 97-130(RCCA). This new federal statute preempted state jurisdiction over record carrier services, thus removing rate regulation of telegraph companies.

The state laws applicable to the Public Utilities Commission are found in Volume 14B, Title 49 of the South Dakota Codified Laws. These laws govern the regulation of motor carriers, telephone and telegraph, public warehouses, public grain warehouses, grain dealers, energy facilities and transmission lines, and investor-owned electric and natural gas companies. From 1974 to the present time the Public Utilities Commission has promulgated rules which cover the above listed utilities.

The Commission functions under direct general fund and other fund appropriations of the South Dakota Legislature but it is charged with the responsibility of collecting certain fees for licenses, permits and charges including special hearing fund assessments in the fixed utilities division.

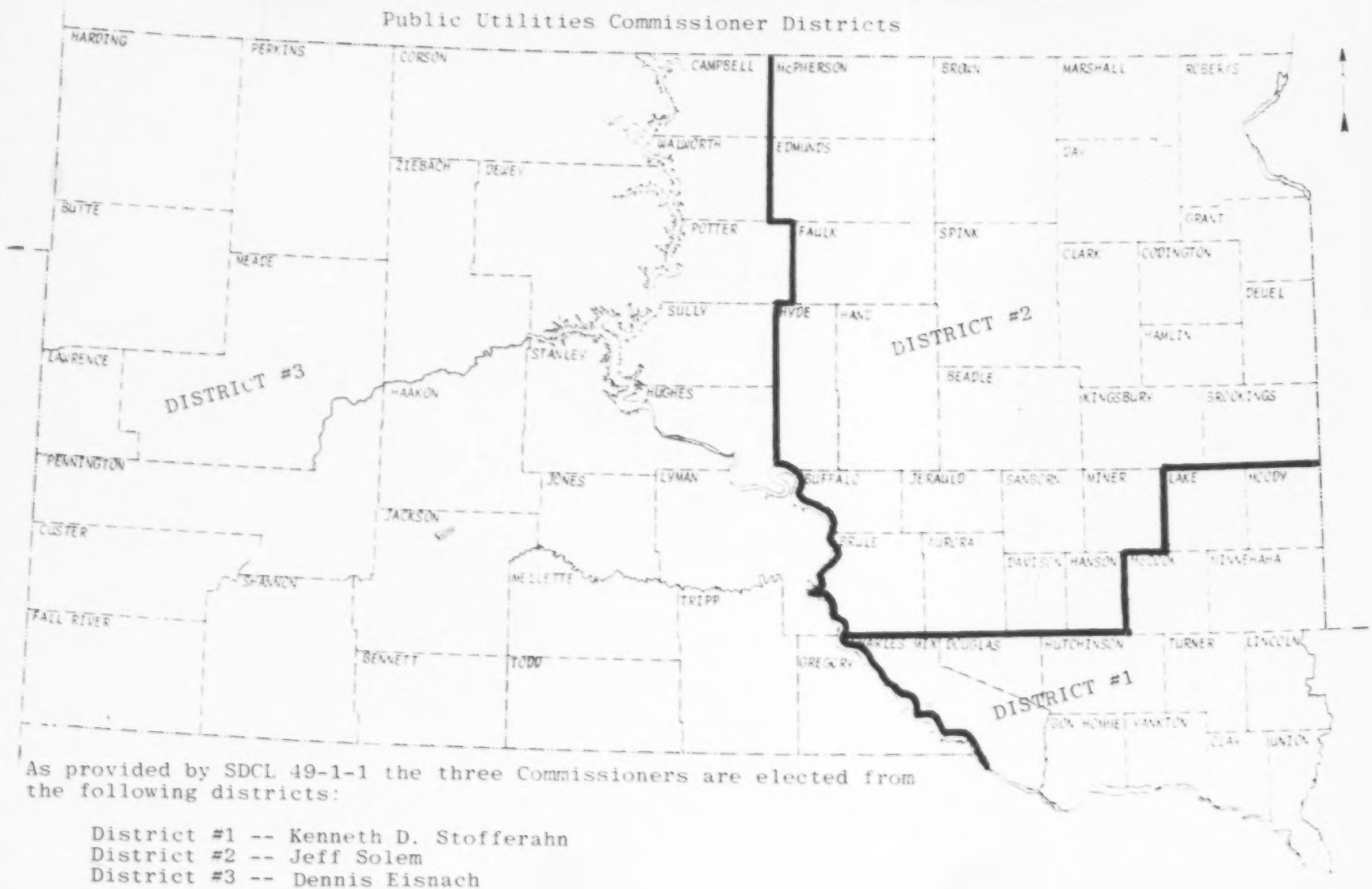
The special hearing fund assessments consist of: a 1.5 mil tax assessed on the total intrastate gross receipts received from retail customers within the State of South Dakota, which funds the day to day work of the Fixed Utilities Division; and a $75,000 assessment of the utility filing a specific rate case, to be used only for expenses incurred in that specific case.

A complete financial report of these fees and funds are included elsewhere in this report.


COMMISSION (3)
COMMISSION COUNSEL
CHAIRMAN
EXECUTIVE SECRETARY
STAFF ATTORNEYS
COMPLAINT RESPONSE AND SPECIAL PROJECTS STAFF
ADMINISTRATION
TRANSPORTATION
FIXED UTILITIES
FISCAL OFFICER
CLERICAL SUPPORT
INSPECTORS
HEARING OFFICER
CLERICAL SUPPORT
ANALYSTS
ENGINEER

SOUTH DAKOTA

Public Utilities Commissioner Districts



As provided by SDCL 49-1-1 the three Commissioners are elected from the following districts:

District #1 -- Kenneth D. Stofferahn
District #2 -- Jeff Solem
District #3 -- Dennis Eisnach

ADMINISTRATIVE DIVISION

The Administrative Division of the Public Utilities Commission provides support services for the Commissioners and the entire Commission staff, and is generally responsible for the administrative operations of the Public Utilities Commission.

The Executive Secretary, as head of this division, coordinates various staff activities of the agency, arranges hearings and conferences, and is responsible for the implementation of Commission policy, as well as the supervision of the Directors of the Fixed Utilities Division and Transportation Division.

The Commission attorney, as part of this division, reports to the Commissioners directly, and represents the Commission in matters before the State and Federal Courts; as well as preparing all Commission orders and reports to the Commissioners on various issues.

COMMISSION ORDERS ISSUED 7-1-85 - 7-1-86

Electric	25
Natural Gas	5
Telephone	61
Transmission & Pipeline	0
Radio Paging	17

APPEAL PROCEEDINGS

The following rate case proceedings are decisions of the Commission that have been appealed to the court system, with their current status noted:

Docket F-3442, Northwestern Bell Telephone Company

In the Matter of the Application of Northwestern Bell Telephone Company for an Order of the Commission Establishing Just and Reasonable Rates and Charges, Which Will Provide it with a Just and Reasonable Level of Earnings for its Intrastate Telephone Services Furnished Within the State of South Dakota.

Filed on 5/13/83
PUC decision 11/10/83
Appealed to Circuit Court
Circuit Court Findings of Fact and Conclusions of law 8/8/84
Appealed to Supreme Court
Briefs filed with Supreme Court
Oral Argument 5/19/85
Supreme Court Findings of Fact and Conclusions of law 2/19/86
Settlement Agreement Approved 5/21/86

Application filed by Northwestern Bell for an increase in intrastate telephone rates. Northwestern Bell appealed the Commission decision to the Circuit Court, Sixth Judicial Circuit of South Dakota. Of thirteen issues which were appealed, the Circuit Court reversed the Commission on four issues. The Commission subsequently appealed two of these issues (average cash balance and inflation adjustment) to the South Dakota Supreme Court. On February 19, 1986, the South Dakota Supreme Court issued its decision affirming the Circuit Court's decision on the issues of average cash balance and inflation adjustment. On May 20, 1986, Northwestern Bell and Commission Staff entered into a Settlement Agreement authorizing Northwestern Bell to collect additional annual revenues and a one-time surcharge as provided by the Supreme Court Decision.

Docket F-3520, Northwestern Bell Telephone Company Rate Increase

In the Matter of the Application of Northwestern Bell Telephone Company for an Increase in its Intrastate Rates in South Dakota.

Filed on 2/1/85
PUC decision 8/29/85
Appealed to Circuit Court
Supreme Court Findings of Fact and Conclusions of law 2/19/86
Settlement Agreement Approved 5/21/86

Application filed by Northwestern Bell for an increase in intrastate telephone rates. Northwestern Bell appealed the Commission decision to the Circuit Court, Sixth Judicial Circuit of South Dakota. Appealed issues include the portion of the Commission Order compelling Northwestern Bell to produce certain documents and the issues of inflation adjustment and average cash balances in working capital which are presently the issues before the South Dakota Supreme Court in Docket F-3442.

The Supreme Court's decision in F-3520 on February 14, 1986 determined the outcome of this appeal. On May 20, 1986, Northwestern Bell and Commission Staff entered into a Settlement Agreement resolving the issues in Docket F-3442 and the issues herein. Based upon the stipulated dismissal signed by Northwestern Bell and the Commission, the Circuit Court dismissed this appeal on June 4, 1986.

Docket F-3475, Northwestern Bell Telephone Company Shell Phone

In the Matter of the Purchase of Telephone Shells by Northwestern Bell Telephone Company Customers.

Filed on 4/4/84
Commission decision issued 1/2/85

This action arose from a Commission investigation initiated in February 1984, concerning the purchase of telephone shells by Northwestern Bell Telephone Company customers. In FY1984 the Commission received a total of 439 complaints by telephone customers who, prior to November 17, 1980, thought they were purchasing the entire telephone when, in accordance with

the tariff filed with the Commission, the inside working components remained the property of the telephone company. Pursuant to a Commission Order dated January 2, 1985, Northwestern Bell began to reimburse customers for those inside components at the rate of $55 per telephone. As of September 8, 1986, $344,520 was paid out to 5,016 persons.

Four lawsuits were filed by various parties attacking the Commission's jurisdiction:

a. Northwestern Bell Telephone Company v. The Public Utilities Commission of the State of South Dakota and its Duly Elected Board of Commissioners consisting of Kenneth Stofferahn, Jeff Solem and Dennis Eisnach (Hughes County, Sixth Judicial Circuit Civ. 84-322).

A Writ of Prohibition action was filed on October 5, 1984 by Northwestern Bell seeking to prevent further Commission proceedings. The Sixth Circuit issued an order on October 18, 1984 affirming the Commission's jurisdiction.

b. State of South Dakota ex rel Corinne Johnson, Jeff Johnson, Elmer Olson and Mary Jane Olson vs. The Public Utilities Commission of South Dakota; Kenneth Stofferahn, Jeff Solem and Dennis Eisnach; Northwestern Bell Telephone Company and AT&T Information Systems. (Supreme Court of South Dakota #14856).

On January 18, 1985, Plaintiffs filed with the South Dakota Supreme Court an application to commence an original proceeding generally requesting the Court to prevent the Commission, Northwestern Bell Telephone Company and AT&T Information Systems from implementing the settlement reached between the Commission and Northwestern Bell. Plaintiffs' application was denied by the Supreme Court on January 23, 1985.

c. State of South Dakota ex rel Corinne Johnson, Jeff Johnson, Elmer Olson and Mary Jane Olson vs. The Public Utilities Commission of South Dakota; Kenneth Stofferahn, Jeff Solem and Dennis Eisnach; and Northwestern Bell Telephone Company. (Hughes County, Sixth Judicial Circuit, Civ. 85-27).

On January 25, 1985, Plaintiffs filed an application for a writ of certiorari with the Sixth Judicial Circuit, Hughes County. On February 26, 1985, the Sixth Judicial Circuit Court, Hughes County, Honorable Robert A. Miller presiding, entered an order quashing the writ of certiorari. On March 8, 1985, Appellants appealed the order quashing the writ of certiorari to the South Dakota Supreme Court. Briefs have been filed and the Commission is awaiting a date for oral arguments.

d. Elmer Olson, Mary Jane Olson, Sheila Paschke, f/k/a Sheila Schrier, Corinne Johnson and Jeff Johnson, on their own behalf and on behalf of all others similarly situtated, vs. Northwestern Bell Telephone Company; Kenneth Stofferahn, Jeff Solem and Dennis Eisnach as the duly elected members of the Public Utilities Commission of South Dakota. (United States District Court, District of South Dakota Central Division, Civ. 85-3020).

On April 1, 1985, Appellants filed a Complaint in the United States District Court for the District of South Dakota, Central Division. This action alleged violation of Appellants' civil rights and constitutional rights pursuant to 42 USC 1983. Following a hearing on April 15, 1985, the Court issued its Memorandum Opinion and Order on May 7, 1985 dismissing Appellants' action.

Docket F-3513, Heartland Complaint

In the Matter of the Complaint of Black Hills Power and Light Company Against Heartland Consumers Power District With Regard to Electric Service to Ellsworth Air Force Base.

Filed on 11/29/84
Commission decision issued 2/4/85

This complaint arises from a territorial dispute between two utilities. Black Hills Power & Light has served Ellsworth Air Force Base for many years. In 1984, Ellsworth awarded a one year contract to Heartland for electric service. According to SDCL 49-34A-58 and 59, such disputes must be determined by the Commission. The controversy in federal court arises from the impact which the Commission's decision may have on federal military contracting procedures.

a. Black Hills Power and Light Company vs. Casper W. Weinberger, as Secretary of the Department of Defense; THE DEPARTMENT OF DEFENSE, an agency of the United States of America; RICHARD D. RASMUSSEN, as contracting officer for Ellsworth Air Force Base, a defense installation under the control of the Department of Defense; HEARTLAND CONSUMERS POWER DISTRICT, a subdivision of the State of South Dakota; WEST RIVER ELECTRIC ASSOCIATION, INC., a South Dakota rural electric cooperative; and the PUBLIC UTILITIES COMMISSION, a regulatory commission of the State of South Dakota, (Civ. No. 85-5031).

On February 25, 1985, Black Hills Power and Light Company (BHP&L) initiated this original action in United States District Court, District of South Dakota, Western Division. The PUC was sued in case the Court ordered relief which would have to go through the Commission. Pursuant to Federal Rule

12(a), the Commission served its Answer to the Complaint on March 18, 1985.

b. In the Matter of the Complaint of Black Hills Power and Light Company Against Heartland Consumers Power District With Regard to Electric Service to Ellsworth Air Force Base, (Lake County, Fourth Judicial Circuit Court, Civ. 85-30).

On February 28, 1985, Heartland Consumers Power District appealed the Commission's decision. Removed to Southern Division of the United States District Court and assigned case Civ. 85-4068.

c. In the Matter of the Complaint of Black Hills Power and Light Company Against Heartland Consumers Power District With Regard to Electric Service to Ellsworth Air Force Base, (Hughes County, Sixth Judicial Circuit Court, Civ. 85-70).

On March 1, 1985, West River Electric Association, Inc. appealed the Commission's decision. Removed to Central Division of the United States District Court, consolidated with Civ. 85-71 and assigned case Civ. 85-3015.

d. In the Matter of the Complaint of Black Hills Power and Light Company Against Heartland Consumers Power District With Regard to Electric Service to Ellsworth Air Force Base, (Hughes County, Sixth Judicial Circuit Court, Civ. 85-71).

On March 5, 1985, the United States, on behalf of Ellsworth Air Force Base (EAFB) appealed the Commission's decision. Removed to Central Division of the United States District Court, consolidated with Civ. 85-70 and assigned case Civ. 85-4068.

e. United States of America vs. The Public Utilities Commission of the State of South Dakota, (Civ. 85-5064).

On April 19, 1985, the United States filed suit against the Commission seeking to prevent the Commission from enforcing its decision in F-3513. By Order dated May 8, 1985, this case was consolidated with Civ. 85-3015, Civ. 85-4068 and Civ. 85-5031.

After the cases were removed and consolidated in federal court, various motions to dismiss and motions for summary judgment were filed. On October 16, 1985, the District Court enetered its decision. The District Court denied BHP&L's motion for summary judgment (Civ. 85-5031) granted the United States' motion to dismiss (Civ. 85-5031), dismissed as moot the two appeals of the PUC decision (Civ. 85-3015 & Civ. 85-4068), and dismissed as redundant the action brought by the United States against the PUC (Civ. 85-5064).

Notice of Appeal was filed by BHP&L with the District Court on November 14, 1985. Notice of Appeal was filed by South Dakota Public Utilities Commission with the District Court on November 25, 1985. Briefs were filed and oral argument was held on June 9, 1986 before the United States Court of Appeals for the Eighth Circuit. The matter is pending before the Court of Appeals.

Docket F-3575, Phone America Complaint

In the Matter of the Complaint of America Phone Incorporation dba Phone America of South Dakota, Against AT&T Communications, Inc. and Northwestern Bell Telephone Company.

This action arises from a complaint filed by Phone America of South Dakota (Phone America) against Northwestern Bell Telephone Company (Northwestern Bell). The complaint disputes the amount due to Northwestern Bell from Phone America for its billings from February 1985 through December 1986. A hearing in this matter was held on January 20-21, 1986 and a Commission Order was issued February 7, 1986. Subsequently, the Commission granted Phone America's Petition for Rehearing. The rehearing was held on March 6, 1986 and a Decision and Order on rehearing was issued on June 23, 1986. Northwestern Bell and Phone America filed various motions before the Commission shortly before filing appeals with the Circuit Court of the Sixth Judicial Circuit. On August 7, 1986 the Circuit Court issued an order allowing the Commission to rule on the pending motion. On August 19, 1986 the Commission issued a Final Decision and Order. This proceeding is pending filing of briefs and argument before the Circuit Court.

STATUTORY CHANGES:

At the direction of the Executive Secretary, Commission staff members prepare legislative proposals and amendments which have been recommended by the Commission. Legislation proposed by other agencies or persons is reviewed and monitored by Commission staff when it concerns issues germane to public utility or common carrier regulation. During the 1986 Legislative Session, the State legislature enacted the following changes in Title 49 of the South Dakota Codified laws which apply to the Public Utilities Commission:

Effective July 1, 1986 (1986 Session)

-Senate Bill No. 38 (SDCL 49-28-65, 49-41-15.2, 49-42A-7, 49-43-34, 49-45-15) conferred limited arrest powers upon inspectors employed by the Public Utilities Commission.

-Senate Bill No. 183 (SDCL 49-42A, 49-43, 49-44, 49-45) defined "grain" for purposes of provisions regarding public grain warehouses, grain inspectors and weighmasters, and grain dealers.

-House Bill No. 1028 (SDCL 49-33) revised the regulation of electric, street railway, and natural gas corporations by adding merger

provisions, and clarifying general provisions to conform with the Business Corporation Act.

-House Bill No. 1142 (SDCL 49-1A-8) revised the special hearing fund deposit which must be made by a public utility or telephone company upon filing a rate increase application.

FINANCIAL REPORTS:

The Administrative Division has the responsibility of compiling all of the Commission's fiscal information used in the budgeting and accounting functions. The financial reports of expenditures and revenues in the various program budgets follow.

The Statement of General Fund Revenue represents the collection of general fund revenue receipted by the issuance of licenses and permits in the Transportation Division. Revenue collected from these sources is remitted to the State General Fund.

Statement of General Fund Revenue

	FY-86
ICC or ICC Registration	$ 38,075.00
MC-A Permit	0.00
MC-B Permit	4,700.00
MC-C Permit	2,000.00
Permit Transfers	6,700.00
Non Storage Licenses	825.00
Federal Storage Licenses	885.00
Grain Elevator Licenses	4,305.00
General Warehouse Certificates	735.00
Decals	1,676.00
Grain Buyers Licenses	4,050.00
Identification Stamps	814,030.00
Cab Cards	640.00
Grain Terminal Weighmaster	0.00
Service Reimbursement	39.73
Total	$878,660.78

The Special Hearing Fund Revenue listed in the following report for state fiscal year 1986 shows the amount of the annual intrastate gross receipts tax paid by each Commission-regulated natural gas, electric and telephone company in South Dakota. This annual intrastate gross receipts tax, levied on the following listed companies, is authorized by SDCL 49-1A-3 and provides funding for the Commission's Division of Fixed Utilities. This funding source appears as other funds in the fixed utilities division.

Special Hearing Fund Revenue

	FY-86
Bison State Telephone Company	$ 4,741.00
Black Hills Power And Light Company	79,647.67
Northern States Power Company	70,309.33
Minnegasco	66,582.00
Northwestern Bell Telephone Company	155,832.70
Otter Tail Power Company	18,319.96
Northwestern Public Service Company	141,838.46
Continental Telephone Company	52.53
Iowa Public Service	17,168.01
Montana-Dakota Utilities Company	72,121.04
AT&T	953.93
Total	$627,566.63

Budget, Expenditures, Encumbrances and Reversions
for the Year ending June 30, 1986

Program	Budget at Beginning of Period	Budget at end of Period	Expenditure by Fund: General	Expenditure by Fund: Dedicated	Total Expenditures	Encumbrances and Carry-overs	Reversions
01- Administration							
Personal Services	$231,610.00	$231,610.00	$231,244.70		$ 231,244.70		365.30
Operating Expenses	31,769.00	31,769.00	23,645.34		23,645.34	$ 0.00	8,123.66
Total Program	$263,379.00	$263,379.00	$254,890.04		$ 254,890.04	$ 0.00	$ 8,488.96
02- Transportation							
Personal Services	$155,792.00	$155,792.00	$154,415.55		$ 154,415.55		$ 1,376.45
Operating Expenses	52,525.00	52,525.00	46,426.61		46,426.61	$ 1,863.50	4,234.89
Total Program	$208,317.00	$208,317.00	$200,842.16		$ 200,842.16	$ 1,863.50	$ 5,611.34
03- Fixed Utilities							
Personal Services	$447,722.00	$477,722.00			$ 315,110.72		$132,611.28
Operating Expenses	220,990.00	220,990.00			212,017.80	$ 797.00	8,175.20
Total Program	$668,712.00	$668,712.00			$ 527,128.52	$ 797.00	$140,786.48
04- Non-Appropriated Filing Fees							
Operating Expenses	$117,510.49	$117,510.49			$116,719.16	$ 0.00	791.33
Total Program	$117,510.49	$117,510.49			$116,719.16	$ 0.00	$ 791.33
TOTAL ALL PROGRAMS	$1,257,918.49	$1,257,918.49	$455,732.20		$1,099,579.88	$ 2,660.50	$155,678.11

TRANSPORTATION DIVISION

The Transportation Division is responsible for matters relating to the regulation of Class A, B and C motor carriers, public storage warehouses, public grain warehouses and grain dealers. This division has four sections: 1) Motor Carriers, 2) Inspection/Investigation, 3) Public Warehousing and 4) Legal.

MOTOR CARRIER SECTION:

The primary purpose of motor carrier regulation by the Commission is to assure the public of adequate and reliable transportation service at reasonable rates. These rates are reviewed to insure they are not unjustly discriminatory and do not prefer any individual or group to the detriment of others. The motor carrier section consists of technical, support and clerical personnel who assist the Commission in meeting its statutory responsiblities relating to the transportation industry in providing safe and adequate service under reasonable and non-discriminatory rates to consumers.

Further, this staff is responsible for coordinating and processing applications, tariffs, time-tables, insurance and service requirements for intrastate motor carriers and interstate motor carriers operating within the boundaries of South Dakota. The staff also maintains complete files of all motor carriers' tariffs and handles complaints and inquiries from the general public.

As provided in Chapter 49-28 of the South Dakota Codified Laws there are two types of related motor carriers: 1) common carriers, and 2) Class C carriers.

1) A Common Carrier is a motor carrier which holds itself out to the general public as engaged in the business of transporting persons or property in intrastate commerce which it is accustomed to and is capable of transporting from place to place in this State for hire. Intrastate permits are granted to common carriers in two classes (A & B) as follows:

Class A - motor carriers operating between fixed terminals or over a regular route, under regular rates or charges, based upon either station-to-station rates or upon a mileage rate or scale (for example: commercial bus lines/independent truckers who operate on a fixed schedule.);

Class B - motor carriers operating under regular rates or charges, based upon either station-to-station rates, or upon a mileage rate or scale, and not between fixed terminals or over a regular route (for example: cattle and grain haulers);

Note: both Classes A & B are limited to a certain area of service within which their commerce must originate and end.

2) Class C Carriers are operators which transport property where the remuneration is fixed in and the transportation service furnished under a contract or agreement where such carrier does not engage in or hold itself out to furnish service to the public generally.

Interstate carriers are required by state law to register their South Dakota operations with the Commission and are subject to regulation by the federal government's Interstate Commerce Commission. Interstate carriers are required to purchase annually the South Dakota identification stamps, which are commonly referred to as "bingo stamps".

MOTOR CARRIER STATISTICS FY1986

The following chart provides the performance data in fiscal years 1984-1985 of the transportation division's handling of these various applications and motor carrier registrations.

Intrastate Permits Issued:	FY 1986
Class A	1
Class B	47
Class C	40
Permit Transfers	67
Interstate Registration	1,523
Identification Stamps	162,806

INSPECTION/INVESTIGATION SECTION:

This section is staffed by three Inspectors/Investigators who are stationed outside the Commission's office in Pierre. Through daily contact with the Pierre office, these three Inspector/Investigators are responsible for conducting investigative, monitoring and contact activities with motor carrier operators and inspecting licensed grain warehouses and dealers throughout South Dakota. These responsibilities and activities are carried out to assure compliance with the provisions of the South Dakota Codified Laws for motor carriers, public warehouses, grain elevators and grain dealers. They also are responsible for assuring compliance with the regulations and rules promulgated by the Commission in this area.

These activities by the Inspectors/Investigators assist the Commission's motor carrier efforts to insure the public of adequate, safe and dependable transportation service at reasonable and non-discriminatory rates. These inspection activities also assist the Commission's efforts in licensing and supervising the bonding practices of public warehouses, grain elevators and grain dealers to insure the property rights of owners and payments to producers.

PUBLIC WAREHOUSING SECTION:

The Commission's staff in the public warehousing section is responsible to carry out the activities of the licensing and the bonding of warehouses and grain elevators, the handling of complaints and the exercise of the Commission's statutory jurisdiction over the handling, shipping and storing of grain.

The following is a description of the types of public warehouses and grain dealers which are regulated by the Commission and the bonding requirements for each as of July 1, 1985:

1) Public grain warehouses include all public warehouses in this state where grain and seeds are received for storage for hire. A five thousand dollar ($5,000) bond must be provided for the first 10,000 bushels of storage capacity and an additional three thousand dollar ($3,000) bond is required for each additional 10,000 bushels. However, if the value of grain held in storage exceeds the amount of such a bond, the warehouseman must furnish a total bond in an amount equal to the value of the grain in storage.

2) Public storage warehouses include all those where any personal property except grain and seed is received for storage for hire. Their bonding requirements are based on the square footage of their storage area, or, in lieu of bond, insurance may be filed.

3) A grain dealer's license is required of any person, firm or corporation who purchases grain from the owner for the purpose of resale. A grain dealer must furnish either a $25,000 or $50,000 bond. The bond amount is based upon the value of grain purchased in the previous fiscal year or the number of trucks operated by the grain dealer, whichever requires the greater bond.

   Also a grain dealer is required to purchase a $2 decal to be displayed in the lower left hand corner of the windshield of each truck that is operated.

4) The Commission also licenses one grain weighmaster. A weighmaster is an individual who is authorized to weigh grain and certify the weight at a grain warehouse. The bonding requirement is in the sum of $5,000, conditioned upon the faithful performance of his duties as a weighmaster.

The following chart lists the statistics of the public warehousing section for the fiscal year of 1986.

PUBLIC WAREHOUSING STATISTICS FY1986

	FY 1986
Public Storage Warehouses	49
Grain Warehouse (non-storing)	55
Federal Licensed Elevators	59
Public Grain Warehouses	287
Grain Dealers	270

During Fiscal Year 1986 all of the South Dakota licensed grain storage warehouses were inspected at least once by the three inspectors on the Public Utilities Commission staff. The licensed elevators submit monthly grain reports on the first of every month for grain held in storage. They are required to be bonded for the market value of stored grain as of the reporting date.

LEGAL SECTION:

Effective July 1, 1984, the legal section is staffed with one Assistant Attorney General who provides legal advice to the Commission and Transportation Division staff on all transportation related matters such as: motor carriers, public storage warehouses, public grain warehouses and grain dealers.

This attorney prepares Commission reports and orders and prepares opinions and memoranda on legal questions before the Commission which require research in addition to representing the transportation staff in various hearings. This attorney provides the Commission and staff with legal representation in state courts in transportation related litigation.

The following is a breakdown of public grain warehouse license suspension or revocation proceedings.

F-3562 In the Matter of the Public Grain Warehouse and Grain Dealer's License of Selland Grain, Inc. of Woonsocket, South Dakota.

Pursuant to the provisions of SDCL 49-42-6, the public grain warehouseman's license issued to Selland Grain, Inc. for the year beginning July 1, 1984, expired on June 30, 1985. No application-bond form was filed with the Commission by September 30th and by Decision and Order of the same date, Selland Grain was ordered to cease all operations as a South Dakota public grain warehouse and grain dealer until all statutory licensing requirements were met.

On October 4, 1985, the Commission received an application and corporate surety bond which were properly executed on behalf of Selland Grain. On the same date, the Commission issued a new license to Selland Grain.

F-3561 In the Matter of the Public Grain Warehouse and Grain Dealer's License of Farmer's Feed and Seed Companyy, Inc. of Sturgis, South Dakota.

Pursuant to the provisions of SDCL 49-42-6, the public grain warehouseman's license issued to Farmers Feed and Seed Company, Inc. for the year beginning July 1, 1984, expired on June 30, 1985. On September 30th, the Commission found that Farmers Feed and Seed had failed to provide an application and bond as required by statute. Therefore it was ordered to cease all operations as a public grain warehouse. Farmer's Feed and Seed remains closed.

F-3560 In the Matter of the Public Grain Warehouse and Grain Dealer's License of Empire Bean Company, Inc. of Sioux Falls and Vermillion, South Dakota.

Pursuant to the provisions of SDCL 49-42-6, the public grain warehouseman's license issued to Empire Bean Company, Inc. for the year beginning July 1, 1984, expired on June 30, 1985. On September 30th, the Commission found that Empire Bean had failed to provide an application and bond as required by statute. Therefore it was ordered to cease all operations as a public grain warehouse. Empire Bean remains closed.

F-3589 In the Matter of the Public Grain Warehouse License of the Stegmeier Company of Canistota, South Dakota.

Based upon a Commission staff investigation, the Commission ordered the Stegmeier Company to cease operating as a public grain warehouse on

March 25, 1986. The Stegmeier Company had failed to increase its statutory bond filed with the Commission as the value of grain represented by outstanding storage receipts increased. Therefore the Commission found that the stegmeier Company had not fulfilled statutory obligations in order to maintain a public grain warehouseman's license. The Stegmeier Company's public grain warehouse remains closed.

F-3580 In the Matter of the Grain Dealer's License of Alfalfa Feeds, Inc. of DeSmet, South Dakota.

Pursuant to an investigation conducted on January 9, 1986, by the Commission staff, Alfalfa Feeds, Inc. of DeSmet, South Dakota, was found to have been operating as a grain dealer without a bond and license as required by SDCL 49-45. On January 13, 1986, the Commission ordered Alfalfa Feeds, Inc. to cease all operations as a grain dealer in South Dakota until it submitted the required application and bond to the Commission and been licensed pursuant to SDCL 49-5. Alfalfa Feeds is not currently operating and has not applied for a grain dealer's license.

F-3507 In the Matter of the Public Grain Dealer's License of Steffensen Grain Company, Inc. of Hetland, South Dakota.

Pursuant to an evidentiary hearing held on February 28, 1986, the Commission found that the statutory grain dealer's bond filed with the Commission by Steffensen Grain was deficient because a claim had been filed against that bond. The Commission ordered that Steffensen Grain provide additional surety to insure that the minimum bonding level of $50,000 was maintained. The licensee failed to file evidence of additional surety to insure that the minimum bonding level of $50,000 was maintained. On May 7, 1986, the grain dealer's license was suspended. The licensee failed to renew his grain dealer's license on July 1, 1986 and is not operating as a South Dakota grain dealer.

FIXED UTILITIES DIVISION

During the 1975 Legislative Session, the South Dakota Public Utilities Commission was vested with the powers, rights, functions and jurisdiction to regulate every investor-owned utility in South Dakota as defined in SDCL 49-34A-1(12). This definition of "public utility" is as follows:

> "any person operating, maintaining or controlling in this state equipment or facilities for the purpose of providing gas, or electric service to or for the public in whole or in part, in this state; provided, however, the term shall not apply to an electric or gas utility owned by a municipality, political subdivision, or agency of the state of South Dakota or any other state or a rural electric cooperative as defined in..." South Dakota Codified Law.

After the Commission was given this legal jurisdiction over certain "public utilities" for gas and electricity, the legislature established and the Commission named this division "Fixed Utilities". These new electric and natural gas regulatory responsibilities were added to the already existent telephone utilities regulation within the same division.

The Fixed Utilities Division has been responsible for the regulation of those public utilities which have fixed facilities and equipment which have required a major investment to construct and maintain. The state legislature has determined that the duplication of these fixed facilities and equipment by competing companies would not be in the consumer's best interest. The Fixed Utilities Division is responsible for matters relating to the regulation of investor-owned electric, natural gas and telephone utilities companies. This division has four sections: 1) accounting, 2) consumer services and complaints, 3) engineering and 4) legal.

The Fixed Utilities Division consists of professional, technical, support and clerical personnel who assist the Commission in meeting its statutory responsibilities relating to the regulation of rates, service, certification and safety of utility facilities for electric, natural gas and telephone utilities companies.

The main objective of the accounting or rate analyst section is the processing of filings for requested increases in regulated utility company rates. This section must analyze filings, identify issues, prepare testimony and exhibits incorporating the staff's recommendations, as well as to assist in the preparation of cross-examination questions and preparation of briefs for use in the formal hearings process.

This section also analyzes and recommends action to be taken with regard to new tariff filings, purchase gas adjustments, fuel adjustment clauses, State and Federal Legislation, Federal Energy Regulatory Commission actions, Federal Communications Commission actions, actions of other states and investigations into new or non-routine utility regulation areas. The staff in the accounting section also provides technical expertise to other staff members or the Commissioners in the areas of electric, natural gas and telephone utility regulation.

The legal section consists of one assistant attorney general. This attorney prepares notices of hearings, legal recommendations and final hearings. The attorney also attends hearings, initiates investigation, drafts administrative rules, and represents staff's position before the Commission.

The engineering section, which is made up of a staff engineer, is responsible for providing technical staff direction to the Commission so as to insure the availability of regulated utility services of a prescribed quality and in sufficient quantity to meet all reasonable requirements for public use. The staff engineer participates in formal siting proceedings and he provides technical recommendations to the Commission in these proceedings.

The consumer services and complaints section responds to consumer inquiries, investigates and resolves consumer complaints and prepares statistical summaries on consumer complaint activity throughout each fiscal year.

LEGAL SECTION:

The Fixed Utilities Division is staffed with an Assistant Attorney General who provides legal advise to the staff on all fixed utilities matters. The attorney's salary is appropriated in the Commission's budget, but in order for the attorney to represent the State of South Dakota in rate cases and other proceedings, the attorney is required by law to be approved by the Attorney General and is designated as an Assistant Attorney General.

The Fixed Utilities Division legal staff, made up of this attorney and a legal secretary, prepares recommended reports and orders and drafts recommendations for final orders and decisions. Research work is required of this attorney for opinions and memoranda. The attorney also works with legal consultants who are sometimes hired for more complex cases or in the most active rate case time periods.

The Fixed Utilities Division legal staff works in the areas of electricity, natural gas and telephone at the Commission level. The Commission's attorney provides the Commission with legal representation in state and federal courts in electric, natural gas, telephone and miscellaneous litigation affecting the Commission.

ELECTRIC UTILITY REGULATION:

In the area of electric utility regulation, the Commission regulates six investor-owned electric companies. They are Black Hills Power and Light Company, Iowa Public Service Company, Montana-Dakota Utilities Company, Northern States Power Company, Northwestern Public Service Company, and Otter Tail Power Company. During the time period of fiscal year 1986, an electric rate case application in the amount of $1,579,044 was pending before the Commission.

The following is a breakdown of that docketed electric rate case application.

F-3576 In the Matter of the Application of Montana-Dakota Utilities Co. for Authority to Establish Increased Rates for Electric Service.

On December 31, 1985, MDU filed with the Public Utilities Commission (Commission) an application for increased retail electric rates. The Company's application, based on a test year ended June 30, 1985, sought approval of rates which would yield MDU additional annual revenues of approximately $1,579,002. Staff's direct presentation in this case was submitted to the Commission on April 9, 1986. Staff initially recommended that MDU be allowed an increase of $537,309 in its electric rates, inclusive of the proposed purchase of an additional 41 megawatts of capacity from the Antelope Valley II (AVSII) station, and an increase of $137,624, exclusive of the purchase.

On April 24 and 25, 1986, an informal prehearing conference was held. Representatives of Company and Staff attended. As a result of the conference, the parties reached a settlement on the level of MDU's increased revenues. The parties agreed that the Company would be allowed to put into effect rate schedules which would generate an increase in annual base rate revenues for electric service of approximately $940,000. On May 9, 1986, the Commission issued its Order approving this settlement agreement.

NATURAL GAS UTILITY REGULATION:

In the area of natural gas utility regulation, the Commission regulates four investor-owned natural gas companies. They are Iowa Public Service Company, Minnegasco, Montana-Dakota Utilities Company, and Northwestern Public Service Company. During fiscal year 1986 natural gas rate case applications in the amount of $1,666,457 were pending before the Commission. The following is a breakdown of those docketed natural gas rate case applications.

F-3546 In the Matter of the Application of Iowa Public Service Company for an Increase in Rates for Natural Gas Service.

On June 17, 1985, Iowa Public Service Company (IPS) filed an application for an increase in rates for natural gas service. With this application, IPS filed natural gas rate schedules which would increase revenues from the sale of natural gas service by approximately $499,000. This proposed application would increase current revenues by about 5.1%. By Orders dated August 26, 1985 and September 9, 1985, the Commission established the time for intervention and the procedural schedule for this docket.

Staff initially recommended that IPS be allowed an increase of $435,334 in gas rates.

On October 16, 1985, an informal prehearing conference was held. Representatives of Company and Staff attended. As a result of the conference, IPS and Staff reached a settlement on the level of IPS' increased revenues. The parties agreed that the Company would be allowed to put into effect rate schedules which would generate an increase in annual base rate revenues of approximately $461,511. By Order dated October 30, 1985, the Commission approved the settlement agreement.

F-3611 In the Matter of the Application of Northwestern Public Service Company for an Increase in its Natural Gas Rates in South Dakota.

On June 25, 1986, Northwestern Public Service Company (NWPS) filed an application for authority to establish increased rates for natural gas service. NWPS requested an increase of $1,167,362 on an annual basis which would affect approximately 28,604 retail natural gas customers located in South Dakota. NWPS' request constitutes an approximate 4% overall increase. By Order dated July 25, 1986, the Commission established its procedural schedule in this matter. The rate increase is pending.

TELEPHONE UTILITY REGULATION:

In the area of telephone utility regulations, the Commission regulates three telephone companies. They are Northwestern Bell Telephone Company (US West), Bison State Telephone Company (CONTEL), and AT&T Communications of the Midwest, Inc. (AT&T Communications).

The South Dakota Legislature has removed municipal telephone companies (1980), telephone cooperatives (1979) and independent telephone companies with fewer than 7,000 subscribers (1982) from the Commission's jurisdiction. Therefore, after fiscal year 1982, the Commission was authorized by state law to regulate only the rates of Northwestern Bell Telephone Company and Bison State Telephone Company. In 1984, the United States Justice Department mandated the division of the Bell System into separate companies -- seven regional holding companies, of which US West is one, to provide local service and AT&T communications to provide long distance service. The Commission has regulated the three companies since January 1, 1984.

F-3520 In the Matter of the Application of Northwestern Bell Telephone Company for an Increase in its Intrastate Rates in South Dakota.

On the 1st day of February, 1985, Northwestern Bell Telephone Company (NWB or Company) filed with this Commission an application for authority to increase rates for intrastate telephone service. By the terms of its application, NWB requested to increase rates for intrastate telephone service by $9,861,726, on an annual basis. Subsequently, at the hearing held on May 27-29, 1985, NWB increased the amount requested to $10,338,884, on an annual basis.

On April 30, 1985, the Commission entered an Order granting petitions for intervention filed by the South Dakota Independent Telephone Coalition (SDITC) and by the South Dakota Innkeepers Association (SDIA).

On May 15, 1985, Commission Staff filed a Motion to Compel Production of Data and for Related Relief. In that Motion, Commission Staff requested the Commission to compel NWB to produce requested material concerning consolidated tax accruals, US West Direct's publishing of NWB's telephone directories, and US West's allocation of costs to subscribers.

Contested case hearings on NWB's application were held in Pierre, South Dakota on May 27-29, 1985. Present and represented by counsel at the hearing were NWB and Commission Staff. Intervenor South Dakota Innkeepers Association was represented by Mr. Johnson at the hearing. On July 23, 1985, the Commission met in open meeting for its deliberation on the rate increase application in this docket. By Order dated July 31, 1985, the Commission approved an increase in revenue of $4,642,362 for Northwestern Bell's intrastate rates in South Dakota.

Northwestern Bell appealed the Commission decision to the Circuit Court, Sixth Judicial Circuit of South Dakota. Appealed issues included the portion of the Commission Order compelling Northwestern Bell to produce certain documents and the issues of inflation adjustment and average cash balances in working capital which are presently the issues before the South Dakota Supreme Court in Docket F-3442

On February 19, 1986, the South Dakota Supreme Court issued its decision overturning the Commission in Docket F-3442 in regard to the regulatory treatment of inflation adjustment and average cash balances in working capital. The same issues were part of NWB's appeal of the Commission's decision in F-3520 to the Circuit Court. The Court ruled that the PUC erred and NWB should be allowed $584,250 additional revenue as a surcharge in F-3442 and $405,157 additional revenue surcharge, plus $486,188 additional annual revenues prospectively.

A settlement was reached between NWB and Staff and approved by the Commission on May 19, 1986. The settlement incorporated the Supreme Court's order, NWB agreed to withdraw its appeal to the Circuit Court and provided for a moratorium on rate filings until July 1, 1987.

Telephone Companies Regulated

1. Northwestern Bell Telephone Company, Sioux Falls, SD
2. Bison State Telephone Company, Custer, SD
   AT&T Communications of the Midwest, Inc., Omaha, NE

Telephone Companies - Non-Regulated

Independent

3. Armour Independent Telephone Company, Armour, SD
4. Cheyenne River Sioux Tribe Telephone Authority, Eagle Butte, SD
5. Mt. Rushmore Telephone Company, Keystone, SD
6. Hanson County Telephone Company, Alexandria, SD
7. Jefferson Telephone Company, Jefferson, SD
8. Kadoka Telephone Company, Kadoka, SD
9. Kennebec Telephone Company, Kennebec, SD
10. Sioux Valley Telephone Company, Dell Rapids, SD
11. Stockholm-Strandburg Telephone Company, Stockholm, SD
12. Tri-County Mutual Telephone Company, Emery, SD
13. Union Telephone Company, Hartford, SD
14. Vivian Telephone Company, Vivian, SD
15. Western Telephone Company, Faulkton, SD

Cooperatives

16. Baltic Cooperative Telephone Company, Baltic, SD
17. Brookings-Lake Telephone Company, Brookings, SD
18. Dakota Cooperative Telecommunications, Irene, SD
19. Deuel Telephone Cooperative Association, Clear Lake, SD
20. Golden West Telecommunications Cooperative, Inc., Wall, SD
21. James Valley Cooperative Telephone Company, Groton, SD
22. McCook Cooperative Telephone Company, Salem, SD
23. Midstate Telephone Company, Kimball, SD
24. Roberts County Telephone Cooperative Association, New Effington, SD
25. Sanborn Telephone Cooperative, Inc., Woonsocket, SD
26. Splitrock Cooperative Telephone Association, Garretson, SD
27. Sully Buttes Telephone Cooperative, Inc., Highmore, SD
28. Valley Telephone Cooperative Association, Herreid, SD
29. West River Cooperative Telephone Company, Bison, SD

Municipal

30. City of Beresford Telephone Department, Beresford, SD
31. City of Brookings Telephone Department, Brookings, SD
32. Faith Municipal Telephone Company, Faith, SD

Foreign

33. Farmers Mutual Telephone Company, Bellingham, MN
34. Hills Telephone Company, Inc., Estherville, IA
35. Continental Telephone Company of Minnesota, Minneapolis, MN
36. Great Plains Communications, Blair, NE
37. Three River Telco, Lynch, NE
38. Valley Telephone Company, Browns Valley, MN
39. Northwestern Bell Telephone Company of Iowa
40. Northwestern Bell Telephone Company of Nebraska
41. Northwestern Bell Telephone Company of Minnesota
42. Northwestern Bell Telephone Company of North Dakota
43. Northwestern Bell Telephone company of Wyoming
44. Consolidated Telephone Corporation, Dickinson, ND
45. Dickey Rural Telephone Mutual Aid Corporation, Ellendale, ND
46. West River Mutual Aid Telephone Corporation, Hazen, ND

BISON STATE TELEPHONE COMPANY
SUMMARY OF INTRASTATE OPERATIONS
FOR THE YEARS ENDED JUNE 30, 1986 AND 1985

	Fiscal Year 1986	Fiscal Year 1985	Difference	Percentage Increase (Decrease)
Revenues				
Local Service	$ 1,632,535	$ 1,672,190	$ (39,655)	(2.37)
/AL	230.23	235.82		
Network Access	3,200,296	3,200,956	(660)	(0.02)
/AL	451.32	451.41		
Miscellaneous	185,299	76,543	108,756	142.08
/AL	26.13	10.79		
Less: Uncollectibles	(38,579)	30,157	68,736	227.93
/AL	(5.44)	4.25		
Total Operating Revenues	$ 5,056,709	$ 4,919,532	$ 137,177	2.79
/AL	713.12	693.77		
Expenses				
Maintenance	$ 805,542	$ 728,517	$ 77,025	10.57
/AL	113.60	102.74		
Depreciation	1,040,760	966,316	74,444	7.70
/AL	146.77	136.27		
Traffic	129,904	92,328	37,576	40.70
/AL	18.32	13.02		
Commercial	348,219	292,935	55,284	18.87
/AL	49.11	41.31		
General	488,172	381,176	106,996	28.07
/AL	68.84	53.75		
Other	251,419	210,265	41,154	19.57
/AL	35.46	29.65		
Taxes (Excluding F.I.T.)	299,821	297,105	2,716	0.91
/AL	42.28	41.90		
Federal Income Taxes (F.I.T.)	448,378	606,339	(157,961)	(26.05)
/AL	63.23	85.51		
Total Operating Expenses	$ 3,812,215	$ 3,574,981	$ 237,234	6.64
/AL	537.61	504.15		
Net Operating Income	$ 1,244,494	$ 1,344,551	$(100,057)	(7.44)
/AL	175.51	189.62		
Plant In Service (Ave.)	$15,113,626	$15,016,497	$ 97,129	0.65
Less: Depreciation (Ave.)	3,807,040	3,193,329	613,711	19.22
Net Plant In Service (Ave.)	$11,306,586	$11,823,168	$(516,582)	(4.37)
/AL	1,594.50	1,667.35		
Access Lines - AL	7,091	7,091		
Rate Of Return	11.007%	11.372%		(0.365)
Gross Margin	24.611%	27.331%		(2.720)

NORTHWESTERN BELL TELEPHONE COMPANY
SUMMARY OF INTRASTATE OPERATIONS
FOR THE YEARS ENDED JUNE 30, 1986 and 1985

	Fiscal Year 1986	Fiscal Year 1985	Difference	Percentage Increase (Decrease)
Revenues				
Local Service	$ 60,140,739	$ 54,765,423	$ 5,375,316	9.82
/AL	252.26	232.09		
Toll Service	44,677,779	43,687,648	990,131	2.27
/AL	187.40	185.14		
Miscellaneous	3,987,963	4,674,079	(686,116)	(14.68)
/AL	16.73	19.81		
Less: Uncollectibles	295,782	436,696	140,914	32.27
/AL	1.24	1.85		
Total Operating Revenues	$108,510,699	$102,690,454	$ 5,820,245	5.67
/AL	455.15	435.19		
Expenses				
Maintenance	$ 14,962,462	$ 13,734,182	$ 1,228,280	8.94
/AL	62.76	58.20		
Depreciation	20,386,196	18,333,040	2,053,156	11.20
/AL	85.51	77.69		
Traffic	3,718,781	3,877,511	(158,730)	(4.09)
/AL	15.60	16.43		
Commercial and Marketing	8,349,849	9,059,458	(709,609)	(7.83)
/AL	35.02	38.39		
Accounting	5,221,996	4,490,961	731,035	16.28
/AL	21.90	19.03		
Employee Benefits	7,258,000	5,398,652	1,859,348	34.44
/AL	30.44	22.88		
General Services and Licenses	1,568,651	1,503,147	65,504	4.36
/AL	6.58	6.37		
Other Expenses	13,280,423	14,342,649	(1,062,226)	(7.41)
/AL	55.71	60.78		
Less: Expense Charged Construction	1,217,281	944,534	(272,747)	(28.88)
/AL	5.11	4.00		
Interest on Customer Deposits	43,788	36,756	7,032	19.13
/AL	0.18	0.16		
Other Taxes	6,489,160	7,295,126	(805,966)	(11.05)
/AL	27.22	30.92		
Federal Income Taxes	8,533,891	8,175,070	358,821	4.39
/AL	35.80	34.65		
Total Operating Expenses	$ 88,595,916	$ 85,302,018	$ 3,293,898	3.86
/AL	371.61	361.50		
Net Telephone Earnings	$ 19,914,783	$ 17,388,436	$ 2,526,347	14.53
/AL	83.54	73.69		
Commission Disallowances	737,024	394,496	342,528	86.83
/AL	3.09	1.67		
Net Operating Revenues	$ 20,651,807	$ 17,782,932	$ 2,868,875	16.13
/AL	86.63	75.36		
Rate Base Per F-3520	$181,185,972	$175,668,578	$ 5,517,394	3.14
/AL	759.99	744.47		
Access Lines-AL	238,405	235,965	2,440	1.03
Rate of Return Per F-3520	11.40%	10.12%		1.28
Gross Margin	19.03%	17.32%		1.71

AT&T COMMUNICATIONS OF THE MIDWEST, INC.
SUMMARY OF INRASTATE OPERATIONS
FOR THE YEARS ENDED JUNE 30, 1986 AND 1985

	Fiscal Year 1986	Fiscal Year 1985*
Revenues		
Toll Service	$450,000	$1,248,000
Less: Uncollectibles	18,000	(3,000)
Total Operating Revenues	$432,000	$1,251,000
Expenses		
Billing Charges	$153,000	$ 214,000
Depreciation	96,000	11,000
Maintenance	24,000	24,000
Operator Services	39,000	41,000
Marketing	(7,000)	86,000
Engineering	15,000	7,000
Operating Rents	(30,000)	27,000
Financial Operations	3,000	11,000
Employee Benefits	6,000	67,000
Other and General	4,000	5,000
Taxes (Excluding F.I.T.)	4,000	23,000
Federal Income Taxes (F.I.T.)	57,000	345,000
Less: Expense Charged Construction		1,000
Total Operating Expenses	$364,000	$ 860,000
Net Operating Income	$ 68,000	$ 391,000
Average Rate Base	$162,000	$ 146,000
Rate of Return	41.975%	267.808%

*Several local exchange carriers had not reported revenues and billing expenses to ATT/MW on a current basis. In addition, in June 1984, a booking classification error occurred between intrastate and interstate access, and was subsequently corrected in July 1984. July 1984 net operating income with the above corrections was $717,000.

TELEPHONE RATES
NORTHWESTERN BELL TELEPHONE COMPANY

Rate Group	Base Rate Area						
	Business 1	Residence 1 ø	Residence 2 øø	Residence 4*	Semi-Public	Agri-Business	Service Station
A(B) 1-1,000	$23.60	$11.00	$ 6.60		$23.60	$16.85	$6.65
C(D) 1,001-5,000	26.00	11.70	7.15	$6.50	26.00	17.55	6.85
E(F) 5,001-20,000	28.80	12.50	7.90	6.95	28.80	18.35	7.10
G(H) 20,001-45,000	32.95	13.70	8.90	7.85	32.95	19.55	7.40
I 45,001-60,000	34.75	14.20	9.35	8.25	34.75	20.05	7.55

* Service is obsolete
ø For exchanges where Conserver's Service is available, add $1.00
øø For exchanges where Conserver's Service is available, add $4.15

NOTE: Rates are for access to network only; set charge is additional

(As of 8-1-85)

SOUTH DAKOTA

Rate Groups based on total terminals (less public and company office main stations), available in local service calling area (including E.A.S. points).

14 Group "A(B)" Exchange (1-1,000)

Bonesteel	Hecla*	Timber Lake
Bridgewater	Murdo	Tripp
Burke	Newell	Tyndall
Canistota	Onida	Wessington Springs*
Elk Point	Presho	

57 Group "C(D)" Exchange (1,001-5,000)

Alcester	Howard-Carthage	Reliance
Arlington	Hudson	Revillo
Belle Fourche	Ipswich*	Roscoe*
Bowdle*	Lake Andes-Pickstown	Roslyn
Bradley	Lake Preston	Salem
Bristol	Lemmon	Selby
Britton	Marion	Sisseton
Canton-Fairview	McIntosh	Sturgis
Centerville	Milbank	Summit
Chamberlain	Miller	Veblen
Clark-Raymond	Mobridge	Vermillion
Clearfield	Morristown	Viborg
Colman	Nisland	Volga-Bruce
DeSmet	Oldham-Ramona	Wagner
Doland*	Parkston	Waubay
Eureka*	Peever	Webster
Flandreau	Pierpont	Wilmot
Gettysburg-Lebanon*	Platte-Geddes	Winner
Gregory	Redfield	Witten

*Exchanges where Conserver's Service is Available

25 Group "E(F)" Exchange (5,001-20,000)

Aberdeen*	Iroquois	South Shore
Castlewood	Lake Norden	Spearfish
Cavour	Lead	Tabor
Cresbard*	Lesterville	Watertown*
Deadwood	Madison	Whitewood
Florence	Mellette*	Willow Lake
Frederick*	Mitchell	Bryant-Wolsey
Hayti	Pierre*-Ft. Pierre	Yankton*
Huron*		

3 Group "G(H)" Exchanges (20,001-45,000)

Hermosa	Hill City	Rapid City*

2 Group "I" Exchanges (45,001-60,000)

Harrisburg-Tea	Sioux Falls*

*Exchanges where Conserver's Service is available.

CONSUMER SERVICES AND COMPLAINTS SECTION:

The consumer services and complaint section has the primary responsibility for consumer relations, communications and problem solving. Upon receipt of telephoned and written inquiries, complaints, and comments from consumers, a staff member initiates an investigation on the consumer's behalf to resolve the situation satisfactorily for both the consumer and the utility company. In many instances the consumer will have first contacted the utility company about his concern and simply wishes further assistance from the Commission. This section keeps record of all such complaints and their resolutions for tabulation and preparation of statistical summaries. The complaint records for FY1986 are included in this section following the narrative.

SUMMARY OF CONSUMER COMPLAINTS RECEIVED:

YEAR	ELECTRIC	GAS	TELEPHONE	TOTAL
FY1986	335	175	683*	1,193

*Included within the telephone consumer complaints for FY1986 have been 174 "Shell-Phone" complaints filed in Docket F-3475. This docketed case was opened by the Commission in February, 1984, and is the investigation into the matter of the purchase of telephone plastic housings, ("shell") by telephone customers who, prior to November 17, 1980, thought they were purchasing the entire decorator telephone when, in accordance with the tariff filed with the Commission, the inside working components remained the property of Northwestern Bell Telephone Company. In accordance with an order approving stipulation and agreement of January 2, 1985, the Commission allowed $55.00 per shell telephone settlement to customers. As of June 4, 1986, Northwestern Bell paid $343,310 to 5,001 customers. The total signed releases waiving claims to further liability in settlements from Northwestern Bell regarding "shell" phones were 5,026 in number. Work on the settlement offer continues into FY1987.

ADMINISTRATIVE RULES OF SOUTH DAKOTA
TITLE 20, ARTICLE 10 PUBLIC UTILITIES:

In FY1986 the Administrative Rules of South Dakota, ARSD 1-26, were revised and became effective November 24, 1985. Included in these rules are the telephone, gas and electric consumer rules (ARSD 20:10), approved and promulgated by the Commission, the investor-owned utilities, and interested consumers groups.

Significant changes in ARSD 20:10 as a result of the FY1986 revision include the explanation of unsatisfactory credit where provision is made to allow the utility customer, when a security deposit is required, to make the deposit payment in reasonable installments, not to exceed three months for telephone customers and four months for gas and electric customers.

Other changes in ARSD 20:10 promulgated in FY1986 included provision for application of the consumer rules to commercial establishments with specific reference being made to residential applications where appropriate.

STATISTICS NARRATIVE:

The following two pages of statistical information is the Monthly Comparison of Electric, Natural Gas and Telephone Complaints for FY1986. Also, for the time period of FY1986 the two pages of reports entitled "Electric, Natural Gas and Telephone Consumer Complaints by Category" are included in this report section.

MONTHLY COMPARISON OF ELECTRIC, NATURAL GAS AND TELEPHONE COMPLAINTS FOR FY 1986

Electric Companies:	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTALS
Black Hills Power & Light	5	6	3	2	5	10	6	5	8	8	4	9	71
Iowa Public Service	2	0	1	0	0	0	0	0	0	1	0	0	4
Montana-Dakota Utilities Company	3	2	1	1	2	0	5	0	0	2	5	2	23
Northern States Power	2	3	4	4	4	5	5	8	6	8	5	5	59
Northwestern Public Service	13	11	5	9	4	4	11	10	8	14	15	9	113
Otter Tail Power	1	3	1	2	1	2	0	2	3	6	0	0	21
Unregulated	0	6	0	4	4	2	6	9	1	10	0	2	44
TOTALS	26	31	15	22	20	23	33	34	26	49	29	27	335

Natural Gas Companies:													
Iowa Public Service	1	0	1	0	1	0	0	3	2	6	0	0	14
Minnegasco	1	3	4	2	1	3	2	2	3	3	7	2	33
Montana-Dakota Utilities Company	4	3	5	8	4	7	3	4	5	8	8	3	62
Northwestern Public Service	2	7	1	5	1	1	7	5	7	12	9	7	64
Unregulated	1	0	0	0	0	0	0	0	0	0	0	1	2
TOTALS	19	13	11	15	7	11	12	14	17	29	24	13	175

MONTHLY COMPARISON OF ELECTRIC, NATURAL GAS AND TELEPHONE COMPLAINTS FOR FY 1986, CONT.

Telephone Companies:	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTALS
AT&T Communications of the Mid West	3	0	1	2	0	0	1	1	0	1	0	32	41
Bison State (Contel)	1	1	1	0	2	0	0	0	0	0	0	0	5
Northwestern Bell Telephone Company*	138	43	20	39	16	28	27	19	24	177*	20	17	568*
Unregulated	13	14	0	5	2	4	6	2	4	10	6	3	69
TOTALS	155	58	22	46	20	32	34	22	28	188	26	52	683
FISCAL YEAR TOTAL	190	102	48	83	47	66	79	70	71	266	79	92	1193

*The Commission received 151 names on petitions concerning the proposed extended area calling plan for Newell to Belle Fourche.

ELECTRIC, NATURAL GAS AND TELEPHONE CONSUMER COMPLAINTS BY CATEGORY FOR FISCAL YEAR 1986

Electric Companies:	Other	Meter	Want Service	Deposit or Disconnect	Service Improvement	Boundary or Territory	Tariff or Billing	Rate Increase	Total
Black Hills Corporation	0	1	2	41	3	2	22	0	71
Iowa Public Service	0	0	0	1	0	0	1	2	4
Montana-Dakota Utilities	0	0	1	7	[illegible]	0	8	4	23
Northern States Power	0	2	1	31	3	1	21	0	59
Northwestern Public Service	0	1	3	67	6	1	35	0	113
Otter Tail Power	0	0	0	8	2	0	11	0	21
Unregulated Companies	0	1	6	16	1	7	13	0	44
TOTALS	0	5	13	171	18	11	111	6	335
Natural Gas Companies:									
Iowa Public Service	0	0	1	13	0	0	0	0	14
Minnegasco	0	1	2	18	0	0	12	0	33
Montana-Dakota Utilities	0	0	2	30	1	0	27	2	62
Northwestern Public Service	0	0	1	46	2	0	15	0	64
Unregulated Companies	0	0	0	0	1	0	0	1	2
TOTALS	0	1	6	107	4	0	54	3	175

ELECTRIC, NATURAL GAS AND TELEPHONE CONSUMER COMPLAINTS BY CATEGORY FOR FISCAL YEAR 1986 CONT.

Telephone Companies:	Other	Meter	Want Service	Deposit or Disconnect	Service Improvement	Boundary or Territory	Tariff or Billing	Rate Increase	Total
AT&T Communications of The Midwest	30**	0	0	0	3	0	7	1	41
Bison State	0	0	1	1	0	0	3	0	5
Northwestern Bell	0	0	28	31	38	154	290*	27	568
Unregulated Companies	0	0	5	4	15	5	37	3	69
TOTALS	30	0	34	36	56	159	337	31	683
ELECTRIC, GAS & TELEPHONE TOTALS	30	6	53	314	78	170	502	40	1193

*The Commission opened Docket F-3474 in February, 1984, to conduct an investigation into the matter of the purchase of telephone shells by Northwestern Bell Telephone Company Customers. This case has carried over from FY 1984. During FY 1986 the Commission received a total of 174 requests for reimbursement of $55.00 per shell telephone purchase from NWB "shell-phone" customers.

**Petition from Communications Workers regarding the AT&T strike.

ENGINEERING SECTION:

The Engineering Section plans and administers the development and implementation of engineering programs to insure that all utilities regulated by the Commission adhere to the established standards of service and safety adopted by the Commission. Major areas of activity include: review of energy conversion and transmission facility siting applications, evaluating electric and natural gas miscellaneous tariffs and cogeneration tariffs, preparation of territorial maps, and development of engineering related evidence for Commission proceedings.

The amount of electric energy sold by the six investor-owned electric utilities to their retail customers increased by approximately 97 million Kilowatt hours for a 3.4 percent increase during calendar year 1985. At the same time the annual average number of retail customers increased by 1.1 percent or 1,900 customers.

Natural gas sales for the four investor-owned gas utilities increased by approximately 0.2 million MCF during calendar year 1985. This amounted to only a 1 percent increase. The annual average number of retail customers increased by 1,300 customers or 1.25 percent.

There were no new energy conversion facilities constructed during FY 1985. A 2.4 MW generating facility located in Mobridge was retired by Montana-Dakota Utilities in May, 1986. Construction was completed on 33 miles of 230 KV transmission line during FY 1985. Approximately 3,633 miles of transmission lines are in operation in South Dakota ranging in capacity from 115 KV to 345 KV. Investor-owned utilities owned and operated 24 percent of these lines.

ELECTRIC TRANSMISSION LINES OPERATING IN SOUTH DAKOTA AS OF JUNE 30, 1986

	115KV Line* Number of Miles	161KV Line* Number of Miles	230KV* Number of Miles	230KV* Double Circuit Number of Miles	345KV* Number of Miles	345KV* Double Circuit Number of Miles
Basin Electric Power Company, 1717 East Interstate Avenue Bismarck, ND 58501			14		270	
Black Hills Power & Light Co. P. O. Box 1400 Rapid City, SD 57709	4		187			
Montana-Dakota Utilities 400 North Fourth Street Bismarck, ND 58501	85		40			
Nebraska Public Power Company 1414 15th Street Columbus, NE 68601	40					
Northern States Power Company 414 Nicollet Mall Minneapolis, MN 55401	162	11				
Northwestern Public Service Co. 500 Northwestern Natl. Bk Bldg. Huron, SD 57350	320		23			5
Otter Tail Power Company South Cascade Street Fergus Falls, MN 56537	12		16			
Western Area Power Admin. P. O. Box EGY Billings, MT 59101	1260		369	605	210	

*Approximate Values

Pipelines bring natural gas and petroleum products to South Dakota. There are 1,129 miles of natural gas pipelines and 554 miles of petroleum product pipelines in operation in South Dakota.

PIPELINES OPERATING IN SOUTH DAKOTA DURING FY 1986

COMPANY	ROUTE MILES	LOCATION
NATURAL GAS:		
Williston Basin	299	From the junction of the North Dakota, South Dakota and Montana Borders southward to Rapid City connecting the cities of Spearfish, Lead, Deadwood and Sturgis.
Northern Natural Gas	650	From the Nebraska-South Dakota border near Ponca, Nebraska northward to Sioux Falls, then westward to Aberdeen with connections to the cities of Brookings, Watertown, Huron, Mitchell, and Yankton and additional connections to smaller towns along this route.
Northern Border	180	From the North Dakota-South Dakota border north of Eureka, South Dakota to the Minnesota-South Dakota border near Astoria, South Dakota.
PETROLEUM PRODUCTS:		
Knaeb Pipeline Company	314	From East of Yankton to north of Fredrick, South Dakota.
Wyco Pipeline Company	95	From the southwest corner of South Dakota to Rapid City.
Williams Pipeline Company	110	From southwest of Clear Lake to Watertown, from east of Dell Rapids to Sioux Falls and from near Alcester to Sioux Falls.

The 42 energy conversion facilities operating in South Dakota have a generating capacity of approximately 2414 megawatts of electricity. Investor-owned utilities own and operate facilities in South Dakota with a generating capacity of approximately 772 megawatts. Sixty percent of the total megawatt generating capacity is owned and operated by the United States Corps of Engineers on the Missouri River dam system.

ENERGY CONVERSION FACILITIES IN SOUTH DAKOTA
JULY 1, 1986

Plant			Generation			
Company	Name	Location	Capacity (MW)	Status	Date	Primary Fuel
OTP-NWPS-MDU	Big Stone	Big Stone City	437	Existing	1975	Lignite
OTP	Lake Preston #1	Lake Preston	24	Existing	1978	Oil
OTP	Lake Preston	Lake Preston	2.0	Existing	1941	Oil
BHP&L	Kirk	Lead	33.75	Existing	1961	Coal
BHP&L	Ben French #1	Rapid City	25	Existing	1961	Coal
BHP&L	Ben French Diesel	Rapid City	10	Existing	1965	Oil
BHP&L	Ben French Gas Turbine	Rapid City	100	Existing	1979	Oil
NSP	Pathfinder	Sioux Falls	60	Existing	1969	Gas
NWPS	Huron	Huron	12.5	Existing	1961	Gas
NWPS	Yankton-New	Yankton	11.5	Existing	1975	Gas
NWPS	Aberdeen	Aberdeen	22.6	Existing	1978	Oil
NWPS	Armour	Armour	4.6	Existing	1936	Oil
NWPS	Chamberlain	Chamberlain	7.2	Existing	1948	Oil
NWPS	Clark	Clark	2.75	Existing	1970	Oil
NWPS	Faulkton	Faulkton	2.75	Existing	1969	Oil
NWPS	Highmore	Highmore	2.0	Existing	1948	Oil
NWPS	Redfield	Redfield	4.1	Existing	1962	Oil
NWPS	Webster	Webster	2.8	Existing	1931	Oil
NWPS	Yankton-Old	Yankton	3.4	Existing	1980	Oil
NWPS	Mobile Unit	N/A	0.5	Existing	1955	Oil
Arlington Municipal Light & Power	Arlington	Arlington	0.8	Existing	1949	Oil
Basin Electric Power Coop., Inc.	Spirit Mound	Vermillion	120	Existing	1979	Oil
Onida Municipal Light & Power System	Onida	Onida	0.5	Existing	1949	Oil
Parker Municipal Light Plant	Parker	Parker	1.0	Existing	1947	Unknown
Rosebud Electric Coop., Inc.	Gregory	Gregory	1.0	Existing	1949	F02
City of Vermillion	Vermillion	Vermillion	2.3	Existing	1947	Unknown
US Corps of Eng (USCE)	Fort Randall	Pickstown	320	Existing	1956	Hydro
US Corps of Eng (USCE)	Oahe	Pierre	595	Existing	1962	Hydro
US Army Eng	Big Bend	Fort Thompson	464	Existing	1966	Hydro
US Army Eng	Gavins Point	Yankton	100	Existing	1957	Hydro